Exhibit B

Proving Antitrust Damages

Legal and Economic Issues

Third Edition

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an accurate reflection of the true underlying economic model.[26] A particularly challenging case is when the relationship between the explanatory variables and the outcome of interest varies between the cartel and non-cartel period. Although some adjustments for such differences may be possible, the regression approach fundamentally assumes that the same basic model applies to the data for both the cartel and non-cartel observations—that is, that the economic model is stable across both periods. This may be problematic in markets that are rapidly evolving or when economic conditions are highly unstable over the study period.

In summary, econometric techniques applied to observational data can provide evidence consistent with causality and quantification of impact. The combination of: (1) a properly specified econometric model showing that an explanatory variable has a statistically significant partial effect on the dependent variable, holding constant other factors; and (2) a sound economic theory explaining why one would expect the explanatory variable to have a causal effect, can together provide evidence consistent with the existence of a causal relationship and an estimate of the magnitude of the effect.[27]

For example, suppose a properly specified econometric analysis finds a measure of the effect of the allegedly anticompetitive act on the dependent variable of interest to be statistically significant (discussed below) and of the expected sign.[28] This result would be consistent with the act resulting in damages, as long as there is a clear economic explanation of the linkage between the act and the measure of the partial effect. In this

26. *See* William G. Cochran & Donald B. Rubin, *Controlling Bias in Observational Studies: A Review*, 35 SANKHYĀ SER. A 417-46 (1973).

27. *See* Rubinfeld, *supra* note 10, at 184-85. An econometric test called the Granger Causality Test is designed to determine whether changes in one variable occur before changes in another variable. While this property can potentially supply some useful information (for example, one of the Hill criteria is that causal effects of a treatment should not occur before the treatment), it is not the same as causality in the sense in which this chapter uses the term. For example, as PETER KENNEDY, A GUIDE TO ECONOMETRICS 64 (6th ed. 2008), notes, Christmas cards "Granger-cause" Christmas, but obviously do not "cause" Christmas. *See also* Jerry A. Hausman, *Specification and Estimation of Simultaneous Equation Models*, *in* 1 HANDBOOK OF ECONOMETRICS 391, 435-436 (Z. Griliches & M.D. Intriligator eds., 1983) (providing additional discussion of the role of Granger causality in simultaneous equations econometric models).

28. For example, the "expected sign" would be positive if the allegedly competitive act was a price-fixing conspiracy and the dependent variable of interest was price.